

**Testimony of Gerald W. McEntee, International President of the
American Federation of State, County and Municipal Employees (AFSCME)
for the Hearing on
Living without Health Insurance: Why Every American Needs Coverage
before the
Energy and Commerce Health Subcommittee
U.S. House of Representatives
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America's health care system is in crisis. The cost of coverage is exploding. It threatens the economic security of working families, it strains state budgets, it overwhelms the capacity of safety net institutions and it reduces the competitiveness of American businesses. And shamefully, 45 million people live with the fear that they or a family member will need care for which they cannot pay. Those fortunate enough to have coverage too often receive poor quality care.

The crisis of the uninsured is a problem for everyone in America, and that includes the 1.4 million members of my union, the American Federation of State, County and Municipal Employees.

The United States is a great nation – we can, and must, do better.

Unlike European health care systems to which it is frequently contrasted, the American health care system is not a monolithic, unified system. Rather, it is a complex system of many inter-related parts, all of which must function efficiently to keep the system in optimal order.

Like the links in a chain, if one link exhibits stress or cracks, it puts more strain on the other links. The uninsured represent a broken link in our system, putting enormous pressure on both employer-sponsored health plans and public programs. Moreover, this broken link is a moral failure for our nation.

Much of the massive growth in the uninsured is attributable to individuals losing coverage through their jobs. The erosion of employer-sponsored health coverage is a particularly troubling trend for America's labor unions, and it should be of primary importance to every American because of the damage it represents to our overall health care system.

In the year 2000, 69 percent of Americans under age 65 had employer-sponsored health coverage. By last year, that figure had dwindled to 60 percent.

Clearly, many employers are dropping insurance for their workers, because of its cost and the growing complexity of administering benefits. However, other large, profitable companies never provided health insurance to the majority of their workers in the first place, instead directing them to public programs at taxpayer expense. And an increasing number of workers who have employer-sponsored coverage are paying more in out-of-pocket costs for scaled-down benefit plans.

For those workers still fortunate enough to have health insurance, the specter of underinsurance is all too prevalent. Far too many American working families are just one serious illness away from bankruptcy. In fact, medical debt is now the second leading cause of bankruptcy in our nation, and 29 percent of low-to-middle income families report that medical debt contributes to their chronic credit card debt. The lack of adequate health care coverage is making the American Dream more and more of an illusive target, rather than an attainable goal, for working families.

Sometimes, when I talk about the crisis of the uninsured, members of the media or the public ask me, "Why does your union care about the uninsured? Union members have good health benefits. This doesn't affect them."

First of all, most of our members have good health insurance coverage, but not all of them. Some of the workers in new sectors that we are organizing, including those who perform home health care/personal service attendant work and those who provide in-home child care, do not receive health benefits as part of their job. I think most Americans would agree with me that it is a travesty when those on the frontlines of providing care to our children, our elderly and our disabled do not have health coverage themselves. We are working hard to find ways for these often low-wage workers to get access to health coverage, but it has been a difficult and complicated task.

But the full answer to that question about union members and health coverage is that, yes, most AFSCME members do have good health insurance coverage. In many cases, we have had to fight long and hard to develop these health benefit plans. But just because union members have good health benefits does not mean that we are not impacted by those without coverage.

It cannot be overstated that the crisis of the uninsured is everyone's problem, including those of us who have insurance. The elaborate shell game of cost-shifting that is built into our insurance rates to pay for uncompensated care means that each time the number of uninsured rises, so do our premiums. In one recent analysis of uncompensated care, it was estimated that two-thirds of uncompensated care is being absorbed by private payers and passed along in the form of higher insurance premiums. In 2005, this cost added over \$900 to the average annual premium for family coverage.

The number of uninsured would be doubled without the safety net provided by the Medicaid program. As a union that represents many workers throughout the Medicaid program in states across the nation, we are proud of how effective this system has been at providing vital health services for low-income families and individuals. But the Medicaid system has been strained to the breaking point by absorbing more and more individuals who have either lost employer-sponsored coverage or who cannot afford to pay sky-rocketing premiums.

The effect of rising Medicaid costs has been devastating to state budgets. Although states have admirably tried to keep their Medicaid costs under control, the growing strain of the newly uninsured represents huge opportunity costs in the public sector. States cannot adequately invest in their education system or their public infrastructure in general because of the growing budget

share assumed by Medicaid. This inability to invest will leave a harsh legacy on future generations who will be ill-prepared to compete globally, or even to contribute fully to our society. To date, the Administration has failed to respond to the gravity of the challenges presented by Medicaid cost growth. Instead, it only offers states greater flexibility and block grants. Neither approach can adequately address the needs of a safety net health care system that is straining to assist a larger and sicker population.

The problem that the growing number of uninsured represents for both the employer-sponsored system of health coverage and the public system of coverage makes it the number one policy priority for AFSCME and the entire labor movement. The question of health coverage has been the primary point of contention in every major contract our union has bargained over the past several years. For years now, our members have foregone wage increases to maintain their valued health benefits. Yet, even this imperfect trade-off is becoming unsustainable as soaring health care costs far outpace wage increases nationally, and American workers fall further and further behind.

America's working families demand relief from this crisis. And they expect their national leaders to have the vision and the political resolve to forge a bold solution to this problem. Many proposals have been put forth to address this crisis. But ultimately, this is not simply a matter of policy or resources, it is a matter of political will.

To help evaluate these plans, my union has worked with the AFL-CIO to create a set of guidelines for what comprehensive health care reform should include. This is what we think effective health care would look like:

- Everyone should have health care coverage, without exclusions or penalties.
- While the market has an important role to play, our government – as the voice of all of us – must play the central role in regulating, financing and providing health care.
- Coverage should be accessible through the largest possible groups that pool risk to ensure coverage regardless of gender, age, health status or other factors.
- Coverage should be affordable and comprehensive.
- Unions and employers should continue to play a role and retain the ability to supplement coverage.
- Individuals must retain the ability to select their own health care providers.
- Financing should be achieved through shared responsibility, which means that risk should be shared broadly to ensure fair treatment and equitable rates, and everyone should share responsibility for contributing to the system through progressive financing.
- Reform efforts must include effective mechanisms for controlling costs, requiring information on provider performance and enhancing efficiency.

- Frontline health care workers must have an active voice in improving the quality of our health care system and making it more efficient.

As the debate over reform proceeds, we must be mindful to do no harm. This means that until we have a comprehensive alternative for everyone, reform efforts should not undermine existing coverage or put people at risk of unmet health care needs.

And finally, it is our firm belief that only the federal government has the resources and legal authority to implement the systemic reforms necessary to create comprehensive change. Therefore, the ultimate responsibility for health care reform lies with the federal government.

Now, I want to comment briefly on how current reform plans line up with our guidelines and which we think will be effective in achieving lasting reform.

As the crisis of the uninsured has expanded, the Administration's response has been inadequate at best. In his latest budget request, President Bush put forward an initiative based on tax credits. In its analysis of the President's proposal, the Commonwealth Fund estimates it would cover an additional nine million individuals at most. Because of the fact that his proposal treats employer-sponsored health coverage differently under the federal tax code, it would actually encourage employers who currently offer coverage to drop health benefits for their workers. Ultimately, the President's plan would fail to achieve universal coverage while forcing those who have adequate coverage to pay more for it.

The underlying philosophy of this plan is that employers, and our nation as a whole, should abandon collective responsibility for health coverage, along with the shared risk associated with it. Instead, according to this view, each individual must take responsibility for his or her own health coverage, through high-risk schemes like high deductible health plans and health savings accounts (HSAs), even if this coverage requires increased out-of-pocket costs and eventually causes the individual to lose coverage altogether.

We oppose his proposal and other plans that would break up risk groups and leave families on their own to purchase coverage in the individual insurance market.

The absence of action on health care reform at the federal level has forced states to pursue their own reform initiatives, largely out of desperation. Although systemic reform requires federal action, we commend states for attempting to address the issue comprehensively. However, we are concerned with the direction reform efforts have taken in some states.

For example, the Massachusetts reform model attempts to achieve near-universal coverage through the use of individual mandates that require those without access to coverage through their jobs to buy coverage in the individual market. Although there are subsidies to help low-income families, many working families will be forced to pay much higher prices for coverage. The most recent estimates for coverage under this initiative for a family with an income of \$50,000 would include a \$7,000 premium and a \$2,000 deductible. Health care costs

that approach 20 percent of total family income are unaffordable and unacceptable to working families and they will ultimately doom this plan to failure.

Among the new health reform initiatives being discussed in this Congress, two deserve particular mention. The Medicare for All plan, proposed by Chairman Dingell, offers a viable path to attaining universal coverage. It offers the security of extending the trusted Medicare plan to everyone under age 65, but it also features attributes of choice by allowing enrollees to select any one of the health plans offered to members of Congress.

We are also favorably impressed by the AmeriCare plan introduced by Rep. Stark. This plan would build on our existing employer-sponsored system of coverage, but would also leverage the administrative efficiencies contained in Medicare to create a new system of universal coverage.

Both of these initiatives meet our guidelines of covering everyone, offering comprehensive benefits, exerting effective cost controls and employing equitable finance mechanisms.

In closing, we would like to add a note about the importance of Congress expeditiously reauthorizing the State Children's Health Insurance Program. It is crucial that the Congress build on the success of this program by allowing states to expand coverage to the millions of children who remain uninsured. In particular, we urge you to remove the prohibition from coverage that excludes the children of low-wage state employees and also many local government employees. A janitor who cleans a state building or a local school should not be treated differently than a janitor who cleans the bank building down the street. For many low-wage workers, the employee premium for family coverage is simply unaffordable. The children of these workers should not be denied coverage, just as the children of workers in the private sector and in the federal sector are not denied coverage.

We also urge you to address the funding inequity for the Commonwealth of Puerto Rico. This program is quite modest, covering only children up to 100 percent of poverty. We believe that the federal government needs to be a full partner in that program.

The health care crisis poses a serious threat to the future of our nation. We have a moral and economic imperative to solve this problem, and the starting point is to provide coverage for every man, woman and child in America.